

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
TRSE-00 SS-15 STR-07 OMB-01 CEA-01 L-03 CIAE-00
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FM AMEMBASSY SINGAPORE
TO SECSTATE WASHDC 0445
INFO AMEMBASSY BANGKOK
AMEMBASSY JAKARTA
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E.O. 11652: N/A
TAGS: ECIN, EGEN, EIND, ASEAN
SUBJECT: ASEAN INDUSTRIAL PROJECTS

REF: (A) STATE 142469, (B) SINGAPORE 2013, (C) SINGAPORE 2166

1. LOCAL PRESS HAS CARRIED LENGTHY REPORTS ON
DISAPPOINTING (TO SINGAPORE) RESULTS OF ASEAN ECONOMIC
MINISTERS MEETING IN JAKARTA. REPORTS QUOTE MEETING'S
COMMUNIQUE AS SAYING MINISTERS HAVE AGREED TO ENDORSE
ESTABLISHMENT OF UREA PLANTS IN MALAYSIA AND IN
INDONESIA AND THAT AGREEMENTS WILL BE SIGNED BY ASEAN
FOREIGN MINISTERS LATER THIS MONTH. QUOTING "INFORMED
SOURCES", SINGAPORE "BUSINESS TIMES" SAID JUNE 9 THAT
SINGAPORE WILL TAKE ONLY NOMINAL ONE PERCENT STAKE IN
ASEAN INDUSTRIAL PROJECTS IF ITS OWN DIESEL ENGINE
PROJECT CONTINUES TO MEET RESISTANCE.

2. MORNING DAILY "STRAITS TIMES" SAID JUNE 7 THAT SINGAPORE
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WANTS TO PROCEED WITH ITS ASEAN PROJECT DESPITE
INDONESIAN OBJECTIONS. REPORT ADDS THAT INDONESIA
MAY STILL ACCEPT SINGAPORE'S PLANT IF IT BUILDS
ENGINES OF MORE THAN 200 HP ONLY. (COMMENT:
EARLIER REPORTS INDICATED THE INDONESIANS WERE
INSISTING THAT SINGAPORE'S PLANT BE GIVEN PREFERENCES ONLY
ON DIESELS OF 500 HP AND ABOVE. A DECISION ON THE 200-500 HP

ENGINE SEEMS TO BE THE LEAST CLEAR BUT MOST IMPORTANT FACTOR
IN ANY DECISION TO PROCEED WITH THE PLANT.)

3. ACCORDING TO THE GOS, FEASIBILITY STUDIES ON THE DIESEL
PLANT ARE CONTINUING, BUT WE GATHER THAT MOST OF THE TECHNICAL
WORK HAS BEEN DONE AND THE PROJECT AWAITS THE RESOLUTION OF
POLITICAL PROBLEMS. THE SIZE OF THE PLANT WILL DEPEND, OF COURSE,
ON WHAT RANGE OF ENGINES ASEAN AGREES TO. A PLANT CONSTRUCTED
UNDER THE MOST FAVORABLE ASEAN CONDITIONS WOULD REPORTEDLY
INVOLVE A TOTAL INVESTMENT OF ABOUT US\$90 MILLION. FINANCING
SHOULD PRESENT NO PROBLEMS; THE GOS WILL UNDOUBTEDLY ENCOURAGE
PRIVATE PARTICIPANTS TO INVEST THE MAXIMUM ASEAN
ALLOWS, AND THE GOS SHARE CAN, IF IT SO DESIRES, BE RAISED
LOCALLY.

4. CUMMINS AND CATERPILLAR HAVE PRESENTED PROPOSALS TO GOS
(REF B), AND WE UNDERSTAND DETROIT DIESEL WAS INTERESTED AT ONE
TIME. JAPANESE FIRMS LISTED REF B ARE CONTENDERS AS IS DAIMLER-
BENZ OF GERMANY (LOCAL COMPANY IS PRESENTLY ASSEMBLING
MERCEDES-BENZ AUTOMOBILES HERE).

5. "BUSINESS TIMES" EDITORIAL JUNE 8 BITTERLY COMMENTED THAT
NATIONAL INTEREST APPEARED TO HAVE ONCE AGAIN TAKEN THE LEAD
OVER REGIONAL COOPERATION IN ASEAN. WHAT WAS ORIGINALLY CON-
CEIVED AS A SYMBOL OF ASEAN COOPERATION, THE PAPER SAID,
APPEARS TO HAVE ALMOST BECOME ITS STUMBLING BLOCK. EDITORIAL
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CONCEDES THE PROBLEMS OF FOSTERING A REGIONAL MIND-SET AMONG
ASEAN NATIONAL LEADERS AND CONCLUDES PHILOSOPHICALLY THAT
HISTORY TAKES A LONG VIEW OF EVENTS; SHORT-TERM SETBACKS ARE
QUICKLY FORGOTTEN ONCE AN IDEAL SUCCEEDS.

6. EMBASSY COMMENT: THERE IS NO DOUBT THAT THE APPARENT IN-
TRANSIGENCE OF THE INDONESIANS CONCERNING SINGAPORE'S DIESEL
PROJECT HAS CREATED A GREAT DEAL OF ANNOYANCE HERE. SINGAPORE'S
AGREEMENT TO TAKE A TOKEN ONE PERCENT EQUITY SHARE IN THE
INDONESIAN AND MALAYSIAN PROJECTS SEEMS TO US TO BE FURTHER
EVIDENCE THAT SINGAPORE NEEDS ASEAN MORE THAN ASEAN NEEDS
SINGAPORE, ALTHOUGH IT SIMULTANEOUSLY SIGNALS GOS UNHAPPINESS
AT ITS OWN PROJECT BEING STALLED. THE GOS DID NOT TEST
ASEAN RESILIENCE AND ITS OWN STANDING IN THE GROUP BY OBSTRUCTING--
AS IT COULD HAVE--THE UREA PROJECTS UNTIL MORE FAVORABLE TERMS
FOR ITS DIESEL PLANT WERE GRANTED. SINGAPORE'S PARTICIPATION
WILL PRESUMABLY MAKE THE INDONESIAN AND MALAYSIAN PROJECTS
ELIGIBLE FOR JAPANESE ASSISTANCE. WHILE IT IS TOO EARLY TO
WRITE OFF THE SINGAPORE PROJECT COMPLETELY (SINGAPORE HAS IN
THE PAST INDICATED IT MAY PROCEED UNILATERALLY AND REPORTS
INDICATE THAT INDONESIA MAY EVENTUALLY SOFTEN ITS POSITION),
WE WOULD NOT BE SURPRISED TO SEE THE WHOLE QUESTION OF AN

ASEAN PROJECT HERE SHELVED UNTIL THE PHILIPPINES AND THAILAND
DECIDE WHAT TO DO ABOUT THEIR OWN FOUNDERING PROJECTS.
INGRAHAM

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